



◆ I N D E P E N D E N T A U D I T O R S ' R E P O R T ◆

**To the Shareholders
BLC Bank S.A.L.
Beirut, Lebanon**

We have audited the accompanying consolidated financial statements of BLC BANK S.A.L. (the "Bank") and its Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the
Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BLC Bank as of December 31, 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 15, 2011

Fiduciaire du Moyen Orient

Deloitte & Touche



◆ **C O N S O L I D A T E D** ◆
F I N A N C I A L S T A T E M E N T S

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	December 31,	
		2010	2009
ASSETS		LBP'000	
Cash and Central Bank	5	558,876,097	572,929,659
Deposits with banks and financial institutions	6	308,816,741	367,263,638
Trading securities	7	16,263,637	19,338,113
Loan to a bank	8	7,058,586	-
Loans and advances to customers	9	1,036,366,717	716,886,972
Available-for-sale investment securities	10	2,070,958,702	1,726,076,696
Held-to-maturity investment securities	10	451,119,105	317,839,007
Customers' liability under acceptances	11	20,006,573	15,343,568
Assets acquired in satisfaction of loans	12	96,237,803	75,978,353
Property and equipment	13	56,663,057	54,805,262
Intangible assets	14	2,813,616	2,890,324
Deferred charges on business acquisition	15	37,648,050	30,588,391
Other assets	16	11,961,950	8,318,851
Total Assets		4,674,790,634	3,908,258,834

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	36		
Letters of guarantee and standby letters of credit		121,449,795	97,391,479
Letters of credit		70,565,887	44,751,172
Forward exchange contracts		41,658,360	22,729,454
Fiduciary Accounts	37	15,862,670	7,854,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

	NOTES	December 31,	
		2010	2009
LIABILITIES		LBP'000	
Deposits from banks	17	46,977,291	33,940,191
Customers' accounts at amortized cost	18	3,922,525,311	3,426,220,878
Customers' accounts designated at fair value through profit or loss	18	2,388,932	2,256,269
Liability under acceptances	11	20,006,573	15,343,568
Other borrowings	19	196,580,561	11,457,975
Other liabilities	20	65,838,785	50,272,028
Provisions	21	24,194,858	24,372,906
Total liabilities		4,278,512,311	3,563,863,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

	NOTES	December 31,	
		2010	2009
EQUITY		LBP'000	
Capital	22	152,700,000	152,700,000
Reserves	23	63,656,920	43,745,608
Regulatory reserve for assets acquired in satisfaction of loans	23	13,078,756	10,858,632
Retained earnings		26,082,782	19,610,911
Cumulative change in fair value of available-for-sale securities	26	72,351,780	65,750,077
Profit for the year (attributable to the owners of the parent)		68,270,880	51,500,286
Total equity attributable to the owners of the parent		396,141,118	344,165,514
Non-controlling interest		137,205	229,505
Total equity		396,278,323	344,395,019
Total Liabilities and Equity		4,674,790,634	3,908,258,834

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	NOTES	December 31,	
		2010	2009
		LBP'000	
Interest income	27	260,230,499	228,886,845
Interest expense	28	(164,046,026)	(148,804,182)
Net interest income		96,184,473	80,082,663
Fee and commission income	29	20,755,141	18,218,585
Fee and commission expense	30	(3,475,114)	(3,376,140)
Net fee and commission income		17,280,027	14,842,445
Net interest and other (loss)/gain on trading portfolio	31	(15,456)	3,953,193
Other operating income	32	11,287,889	5,770,296
Net financial revenues		124,736,933	104,648,597
Allowance for impairment of loans and advances	9	(1,929,964)	(1,757,065)
Write-back of impairment loss on loans and advances	9	11,905,148	6,943,012
Recovery of loans (net)		2,162	5,598
Write-back of discount on loan portfolio purchased	9	1,692,748	751,765
Net financial revenues after net impairment loss/write-back		136,407,027	110,591,907
Realized income on business acquisition	15	7,728,744	-
Gain on disposal of property and equipment and properties acquired in satisfaction of loans	12	3,956,410	6,177,144
Write-back of provisions (net)	16, 21	67,838	1,865,605
Staff costs	33	(41,965,014)	(36,581,272)
General and administrative expenses	34	(22,459,161)	(17,587,399)
Depreciation and amortization	13, 14	(3,155,205)	(3,974,451)
Profit before income tax		80,580,639	60,491,534
Income tax expense	20	(12,293,482)	(8,875,167)
Profit for the year		68,287,157	51,616,367
Attributable to:			
Owners of the Parent		68,270,880	51,500,286
Non-controlling interest		16,277	116,081
		68,287,157	51,616,367
Earnings per share:			
Basic and diluted earnings per share for the year	35	LBP 447.2	LBP 338.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	December 31,	
		2010	2009
		LBP'000	
PROFIT FOR THE YEAR		68,287,157	51,616,367
Other comprehensive income:			
Net change in fair value of available-for-sale investment securities		14,917,563	83,655,096
Fair value of available-for-sale securities recycled to profit and loss	32	(7,122,945)	(2,082,278)
Deferred tax liability	20	(1,192,915)	(12,192,328)
		6,601,703	69,380,490
Total comprehensive income		74,888,860	120,996,857
Attributable to:			
Owners of the parent		74,872,583	120,880,776
Non-controlling interest		16,277	116,081
		74,888,860	120,996,857

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Owners of the Parent										Non-Controlling Interest	Total Equity
	Capital	Legal Reserve	Free Reserves	Reserve for General Banking Risks	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Special Reserves	Cumulative Change in Fair Value of Available-for-sale Securities	Retained Earnings	Net Profit for the Year	Total		
	LBP'000											
Balance - January 1, 2009	152,700,000	4,336,469	20,100,610	7,607,136	8,574,485	-	(3,630,413)	12,120,415	34,501,144	236,309,846	499,570	236,809,416
Allocation of 2008 profit	-	3,258,553	6,890,146	1,375,000	2,447,864	1,570,000	-	18,959,581	(34,501,144)	-	-	-
Dividends paid (Note 25)	-	-	-	-	-	-	-	(13,132,200)	-	(13,132,200)	378,477	(13,510,677)
Transfer from legal reserve to free reserves	-	(10,651)	10,651	-	-	-	-	-	-	-	-	-
Transfer from regulatory reserve to free reserves	-	-	163,717	-	(163,717)	-	-	-	-	-	-	-
Other movement	-	1,296	12,681	-	-	-	-	(7,308)	-	6,669	(7,669)	(1,000)
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	100,423	-	100,423	-	100,423
Reversal of special reserves (Note 24)	-	-	-	-	-	(1,570,000)	-	1,570,000	-	-	-	-
Total comprehensive income for the year 2009	-	-	-	-	-	-	69,380,490	-	51,500,286	120,880,776	116,081	120,996,857
Balance - December 31, 2009	152,700,000	7,585,667	27,177,805	8,982,136	10,858,632	-	65,750,077	19,610,911	51,500,286	344,165,514	229,505	344,395,019
Allocation of 2009 profit	-	5,254,545	8,150,073	6,030,531	2,648,939	-	-	29,416,198	(51,500,286)	-	-	-
Dividends paid (Note 25)	-	-	-	-	-	-	-	(22,853,691)	-	(22,853,691)	(108,577)	(22,962,268)
Transfer from retained earnings to legal reserve	-	47,348	-	-	-	-	-	(47,348)	-	-	-	-
Transfer from regulatory reserve to free reserves	-	-	428,815	-	(428,815)	-	-	-	-	-	-	-
Deferred tax on future dividend distribution for subsidiaries	-	-	-	-	-	-	-	(43,288)	-	(43,288)	-	(43,288)
Total comprehensive income for the year 2010	-	-	-	-	-	-	6,601,703	-	68,270,880	74,872,583	16,277	74,888,860
Balance - December 31, 2010	152,700,000	12,887,560	35,756,693	15,012,667	13,078,756	-	72,351,780	26,082,782	68,270,880	396,141,118	137,205	396,278,323

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31,	
		2010	2009
		LBP'000	
Cash Flows from operating activities:			
Net profit for the year		68,287,157	51,616,367
Adjustments for:			
Write back provision for bad debts (net)	9	(11,667,932)	(5,937,712)
Recovery of loans written-off		(2,162)	(5,598)
Depreciation and amortization	13,14	3,155,206	3,974,451
Amortization of deferred charges on business acquisition	15	4,459,364	-
Realized income on business acquisition	15	(7,728,744)	-
Impairment of property and equipment	13	65,308	-
Write back of provisions for charges (net)		(37,323)	(1,941,727)
Provision for end-of-service indemnities	21	965,292	1,112,919
Unrealized loss/(gain) on trading portfolio	31	1,299,696	(2,573,533)
Income tax expense		12,293,482	8,875,167
(Gain)/Loss on sale of property and equipment		(507,818)	71,174
Gain on disposal of property acquired in satisfaction of loans		(3,448,592)	(6,248,318)
Dividend income		(1,465,433)	(1,597,427)
Interest expense		164,046,026	148,804,182
Interest income (including interest on trading portfolio)		(261,095,694)	(229,860,729)
		(31,382,167)	(33,710,784)
Net decrease in trading portfolio		1,747,042	310,624
Net increase in loans and advances to customers	38	(331,313,763)	(291,723,823)
Net increase in available-for-sale investing securities	10	(288,719,745)	(270,420,836)
Net (increase)/decrease in held-to-maturity investing securities	10	(177,384,170)	117,154,275
Net increase in customers' deposits		490,837,465	726,258,662
Net decrease/(increase) in compulsory deposits with Central Bank	5	57,091,134	(20,858,480)
Net decrease/(increase) in term deposits with Central Bank		25,250,625	(26,758,125)
Net increase/(decrease) in deposits from banks		13,030,314	(2,192,371)
Net decrease in pledged deposits	6	-	4,045,837
Net increase in other assets	38	(3,575,261)	(1,771,515)
Net increase in other liabilities	38	11,324,180	10,540,648
Proceeds from disposal of property acquired in satisfaction of loans	38	8,433,627	11,439,329
Settlements made from provisions	21	(1,173,855)	(1,317,977)
		(225,834,574)	220,995,464

	Notes	December 31,	
		2010	2009
		LBP'000	
Income tax paid		(9,462,998)	(7,135,868)
Dividends received		1,465,433	1,597,427
Interest paid		(157,756,614)	(144,398,000)
Interest received		255,245,089	228,070,415
Net cash (used in)/generated from operating activities		(136,343,664)	299,129,438
Cash flows from investing activities:			
Amounts and costs paid in business acquisition	15	(6,065,313)	(30,588,391)
Proceeds from disposal of property and equipment		807,395	58,544
Acquisition of property and equipment	13,38	(1,784,854)	(17,014,596)
Net change in intangible assets		(1,065,400)	(433,927)
Net cash used in investing activities		(8,108,172)	(47,978,370)
Cash flows from financing activities:			
Dividends paid	25	(22,853,691)	(13,132,200)
Dividends paid to non-controlling interests		(108,577)	(378,477)
Decrease in non-controlling interests		-	(1,000)
Increase in loan to a bank		(7,000,000)	-
Net increase/(decrease in) other borrowings	19	184,439,591	(387,807)
Net cash generated from/(used in) financing activities		154,477,323	(13,899,484)
Net increase in cash and cash equivalents		10,025,487	237,251,584
Cash and cash equivalent beginning of year		750,170,214	487,534,399
Net cash received from acquiring Lati Bank S.A.L.	38	-	25,384,231
Cash and cash equivalent end of year	38	760,195,701	750,170,214

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements